

Message Text

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ACTION OES-07

INFO OCT-01 NEA-10 ISO-00 COME-00 TRSE-00 SS-15

CIAE-00 INR-07 NSAE-00 L-03 EB-08 AID-05 /056 W

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FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 9113

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PASS COMMERCE FOR ASST. SEC. BARUCH

TREASURY FOR ASST. SEC. BERSTEN

STATE FOR ASST. SEC. MINK

E.O. 11652: N/A

TAGS: TGEN, IS

SUBJECT: U.S-ISRAEL BINATIONAL INDUSTRIAL R&D FOUNDATION

REF: (A) STATE 262347 (B) TEL AVIV 8382

1. SUMMARY. FIRM INDICATIONS OCTOBER 31 THAT ISRAELIS WOULD SIGN BLACKMAN'S CONTRACT WERE COMPLETELY REVERSED ON NOVEMBER 3 WHEN LEGAL ADVISER OF MINISTRY OF FINANCE TOLD SCIATT AND BLACKMAN THAT ISRAELI ENDORSEMENT OF CONTRACT WOULD CAUSE A "NATIONAL SCANDAL" DUE TO ITS EXCESSIVELY LUXURIOUS TERMS. BLACKMAN AGREED THAT LEGAL ADVISER WOULD DO ALTERNATIVE DRAFT CONTRACT FOR U.S. CONSIDERATION. INDICATIONS THAT BLACKMAN MIGHT QUIT DUE TO ENDLESS DELAYS CHANGED TO CAUTIOUS OPTIMISM ON HIS PART LATER ON NOVEMBER 3 WHEN SCIATT MADE ARRANGEMENTS, SUBJECT TO BOG APPROVAL, FOR WITHDRAWAL OF FUNDS FROM BIRDF ACCOUNT TO PAY LONG DUE DEBTS TO BLACKMAN AND FUND FIRST THREE MONTHS OF BIRDF OPERATIONS. EMBASSY REQUESTS U.S. BOG MEMBERS HELP IN EXPEDITING TEMPORARY FUNDING MEASURES. END SUMMARY.

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2. EVENING OF NOVEMBER 2 CHIEF SCIENTIST MININDUSTRY LAVIE TOLD BLACKMAN AND SCIATT THAT ISRAELI BOG MEMBER SIVAN, WHOSE SIGNATURE PREVIOUSLY HAD BEEN ASSURED, COULD NOT SIGN CONTRACT DUE TO "LEGAL PROBLEMS", RAISED BY MINISTRY OF FINANCE LEGAL ADVISER AVNER CASSUTO. AT NOVEMBER 3 MEETING WITH BLACKMAN AND SCIATT, CASSUTO

STATED THAT ISRAELI SIGNATURE ON CONTRACT COULD CAUSE NATIONAL SCANDAL IF PRESS FOUND OUT, BECAUSE THE MANY LUXURIES AND EXPENSIVE BENEFITS DESCRIBED IN THE CONTRACT ARE SO FAR ABOVE ISRAELI LIVING STANDARDS. HE DISCUSSED "HOUSING" AS ONE EXAMPLE AND WENT ON TO QUESTION IN DETAIL WHETHER CONTRACT WAS IN FACT EQUIVALENT TO GS-18, ASKING WHY CONTRACT PROVIDES FOR FIRST CLASS TRAVEL AND NOTING THAT IF BIRDF PAID DUTY ON BLACKMAN'S CAR, BLACKMAN WOULD BE ABLE TO SELL IT AT ENORMOUS PROFIT AFTER TWO YEARS. BECAUSE OF CONSIDERATIONS IN PARA 10 REF (B), SCIATT COULD OFFER ONLY LIMITED REBUTTAL. CASSUTO HAD NO OBJECTION TO TOTAL COST PER SE, BUT WANTED MOST DETAIL REMOVED FROM CONTRACT. HE OBJECTED SPECIFICALLY TO THE ARBITRATION CLAUSE, NOTING THAT GOI POLICY IS TO AVOID ANY ARBITRATION.

3. MEETING CONCLUDED WITH AGREEMENT THAT CASSUTO WOULD PREPARE NEW DRAFT CONTRACT, "WITHOUT SO MANY DETAILS" AND OMITTING ITEMS WHICH COULD BE PLACED IN BIRDF BUDGET, SUCH AS HOUSING. CASSUTO PROMISED TO MAIL DRAFT NEW CONTRACT TO BLACKMAN END OF NEXT WEEK. HE WILL ALSO SEEK SIVAN'S APPROVAL FOR NEW COST FIGURES PREPARED BY BLACKMAN AND SCIATT OF \$120,015 FOR FIRST YEAR, AND \$164,305 FOR SECOND.

4. NEW PROBLEM ARISING NOVEMBER 2 WAS LAVIE'S ADVISE LIMITED OFFICIAL USE

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THAT IT MAY BE IMPOSSIBLE TO WITHDRAW BIRDF FUNDS FROM BANK OF ISRAEL UNTIL KNESSET PASSES LAW MAKING BIRDF A LEGAL ENTITY, WHICH MIGHT TAKE UNTIL EARLY JANUARY 1978. UPON HEARING THIS, BLACKMAN CAME CLOSE TO QUITTING ON THE SPOT.

5. ON NOVEMBER 3 SCIATT, BLACKMAN AND ISAACS (OF LAVIE'S OFFICE) VISITED BANK OF ISRAEL TO LEARN EXACT PROCEDURE FOR WITHDRAWAL OF BIRDF FUNDS. WITH BANK OFFICIALS, SCIATT DRAFTED BOG RESOLUTION CALLING FOR ALL SIX BOG MEMBER SIGNATURES AND GIVING TEMPORARY AUTHORITY TO EITHER LAVIE OR SCIATT TO WITHDRAW MAXIMUM OF \$120,000 IN INCREMENTS OF \$5,000 MAXIMUM IF ACTING SINGLY OR UP TO A TOTAL OF \$120,000 IF BOTH SIGN CHECKS. UPON COMPLETION AND SIGNATURE OF BLACKMAN'S CONTRACT, HE AND HIS DESIGNEE WOULD HAVE SOLE AUTHORITY TO OPERATE ACCOUNTS. RESOLUTION WOULD BE ACCOMPANIED BY BRIEF BUDGET PREPARED BY BLACKMAN INCLUDING OPERATING EXPENSES FOR BIRDF FOR THREE MONTHS, PLUS PAYMENT OF LONG STANDING BIRDF DEBT TO BLACKMAN. DRAFT OF THIS RESOLUTION CARRIED BY BLACKMAN ON HIS RETURN TO WASHINGTON NOVEMBER 4, AND A COPY WAS GIVEN TO LAVIE.

6. PROSPECT OF BEING PAID OVERDUE DEBTS PLUS SALARY
PLUS ENOUGH FUNDING TO START BIRDF OPERATIONS SEEMS TO
HAVE EASED THE PROBLEM OF POSSIBLE BLACKMAN WITHDRAWAL.
EMBASSY WOULD APPRECIATE EFFORTS TO EXPEDITE APPROVAL
OF BOG RESOLUTION MENTIONED ABOVE. REQUEST THAT FINAL
DRAFT TEXT BE CABLED FOR COORDINATION WITH ISRAELIS
AND BANK OF ISRAEL. ANY FURTHER REDUCTION IN TOTAL
COST OF CONTRACT WOULD BE HELPFUL.
LEWIS

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